Company Number: 2947030

AGRESERVES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 1998

Company Information

Directors	J. W. Creer K. F. Keeler T. G. Rueckert C. R. Jolliffe A. K. Broadway
Secretary	T. Rueckert A. K. Broadway
Company Number	2947030
Registered Office	Manor Farm Woodwalton Huntingdon Cambs PE17 5YU
Auditors	Martin & Acock 2, The Close Norwich Norfolk NR1 4DJ

Contents

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

The directors present their report and the financial statements for the year ended 31 December 1998.

Statement of directors' responsibitities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Resutts and dividends

The loss for the year after taxation, amounted to £(335,370) *(1997 - loss £(39,227))*.

Principal activities and review of business

The company's principal activity continues to be that of arable and dairy farming.

The company continued to operate a policy of generating the highest profit feasible from efficient farming techniques that utilise the latest technology whilst ensuring the appearance and upkeep of the farm land and buildings are maintained to a high standard.

The directors are committed to maintaining the positive trends in crop performance, whilst striving to improve the economic rewards gained from the continued operating success, and are confident that previous levels of profitability can again be attained.

Year 2000 Computer Issues

As required by UITF Abstract 20, the directors have considered the implications of the year 2000 computer issues and consider that the company has taken sufficent measures to ensure that no significant problems should arise and accordingly anticipate that no significant costs will arise in connection with this issue.

Directors

The directors who served during the year and their beneficial interests in the company's issued share capital were :

	Ordinary shares of £1 each	
	31 December 1998	31 December *1997*
J. W. Creer	-	-
K. F. Keeler	-	-
T. G. Rueckert	-	-
C. R. Jolliffe	-	-
A. K. Broadway	-	-

K. F. Keeler and A. K. Broadway retire from the board at the annual general meeting and, being eligible, offer themselves for re-election.

Auditors

The auditors, Martin & Acock, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 22 October 1999 and signed on its behalf.

C. R. Jolliffe
Director

AUDITORS' REPORT TO AGRESERVES LIMITED

pursuant to section 247B of the Companies Act 1985

We have examined the abbreviated accounts set out on pages 3 to 14 together with the financial statements of AgReserves Limited prepared under section 226 of the Companies Act 1985 for the year ended 31 December 1998.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.
We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985 and the abbreviated accounts on pages 3 to 14 are properly prepared in accordance with that provision.

Martin and Acock

Martin & Acock

2, The Close
Norwich
Norfolk
NR1 4DJ

22 October 1999

ABBREVIATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1998

	Note	1998 £	*1997 £*
GROSS PROFIT		220,135	*687,638*
Selling and distribution costs		(385,454)	*(354,913)*
Administrative expenses		(50,914)	*(109,131)*
Other operating income		45,162	*81,017*
OPERATING (LOSS)/PROFIT	2	(171,071)	*304,611*
(Loss)/profit on disposal of tangible fixed assets		(203,626)	*8,057*
		(374,697)	*312,668*
Income from other investments		-	*455*
Interest receivable	5	47,563	*36,199*
Interest payable	6	-	*(208)*
Charitable payment		(36,356)	*(334,024)*
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(363,490)	*15,090*
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	7	28,120	*(54,317)*
(LOSS) FOR THE YEAR		(335,370)	*(39,227)*
(LOSS)/RETAINED PROFIT BROUGHT FORWARD		(34,466)	*4,761*
(LOSS) CARRIED FORWARD		£ (369,836)	*£ (34,466)*

All amounts relate to continuing operations.

There were no recognised gains and losses for 1998 or 1997 other than those included in the profit and loss account.

The notes on pages 7 to 14 form part of these financial statements.

BALANCE SHEET
As at 31 December 1998

	Note		1998		1997
		£	£	£	£
FIXED ASSETS					
Intangible fixed assets	8		-		320,514
Tangible fixed assets	9		705,142		818,634
Investments	10		4,478,772		3,525,453
			5,183,914		4,664,601
CURRENT ASSETS					
Stocks	11	1,512,109		1,441,195	
Debtors	12	464,037		416,605	
Cash at bank and in hand		528,698		881,280	
		2,504,844		2,739,080	
CREDITORS: amounts falling due within one year	13	(1,665,117)		(1,016,550)	
NET CURRENT ASSETS			839,727		1,722,530
TOTAL ASSETS LESS CURRENT LIABILITIES			6,023,641		6,387,131
PROVISIONS FOR LIABILITIES AND CHARGES	14		(43,477)		(71,597)
NET ASSETS			£ 5,980,164		£ 6,315,534
CAPITAL AND RESERVES					
Called up share capital	15		1,000,000		1,000,000
Capital reserve			5,350,000		5,350,000
Profit and loss account			(369,836)		(34,466)
SHAREHOLDERS' FUNDS - All equity	16		£ 5,980,164		£ 6,315,534

The directors have taken advantage of the exemptions conferred by Section B of Part III of Schedule 8 to the Companies Act 1985 on the grounds that the company is entitled to the benefit of those exemptions as a medium sized company.

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies.

The financial statements were approved by the board on 22 October 1999 and signed on its behalf

C. R. Jolliffe Director

The notes on pages 7 to 14 form part of these financial statements.

CASH FLOW STATEMENT
For the year ended 31 December 1998

	Note	1998 £	1998 £	1997 £	1997 £
Net cash inflow from operating activities (Page 6)			**563,714**		*298,659*
Returns on investments and servicing of finance	17		**47,563**		*36,446*
Taxation			-		*(56,651)*
Capital expenditure and financial investment	17		**25,816**		*(162,610)*
Acquisitions and disposals	17		**(953,319)**		-
Deed of Covenant paid/payable			**(36,356)**		*(334,024)*
Cash outflow before use of liquid resources and financing			**(352,582)**		*(218,180)*
Financing:	17				
Capital transferred from parent undertaking		-		*650,000*	
(Decrease) in debt		-		*(32,667)*	
			-		*617,333*
(Decrease)/increase in cash in the period		£	**(352,582)**	£	*399,153*

Details of major non-cash transactions are given in **note 19**.
The notes on pages 7 to 14 form part of these financial statements.

CASH FLOW STATEMENT INFORMATION
For the year ended 31 December 1998

	Note	1998 £	1998 £	*1997 £*	*1997 £*
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES					
Operating profit			(171,071)		*304,611*
Depreciation of tangible fixed assets			204,564		*184,281*
Increase in debtors			(47,432)		*(206,135)*
(Increase)/decrease in stocks			(70,914)		*45,506*
Increase/(decrease) in creditors			648,567		*(29,604)*
Net cash inflow from operating activities		£	563,714	*£*	*298,659*

	Note	1998 £	1998 £	*1997 £*	*1997 £*
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS	18				
(Decrease)/increase in cash in the period		(352,582)		*399,153*	
Cash inflow from increase in debt and lease financing		-		*32,667*	
Change in net funds resulting from cash flows			(352,582)		*431,820*
Net funds at 1 January 1998			881,280		*449,460*
Net funds at 31 December 1998		£	528,698	£	881,280

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 31 December 1998

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Farm building improvements and drainage	-	straight line over 5 to 20 years
Plant & machinery	-	straight line over 5 to 10 years
Motor vehicles	-	straight line over 3 to 10 years
Fixtures, fittings, tools and equipment	-	straight line over 5 years

1.4 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

1.5 Stocks and cultivations

Stocks and cultivations are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.6 Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

1.7 Pensions

The costs of providing pensions for employees are charged in the profit and loss account over the average working life of employees in accordance with the recommendations of qualified actuaries. Any funding surplus or deficit which may arise from time to time is amortised over the average working life of employees.

1.8 Area aid income

Area aid income is recognised in the profit and loss account when the underlying crops are sold.
Set aside income is recognised on a receipts basis.

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 31 December 1998

2. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging:

	1998 £	*1997 £*
Depreciation of tangible fixed assets		
- owned by the company	204,564	*184,281*
Audit fees	8,000	*8,250*
Auditors' remuneration - non-audit services	1,175	*9,400*
Operating lease rentals		
- hire of plant & machinery	16,424	*24,543*
- other	290,367	*262,008*

3. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	1998 £	*1997 £*
Wages and salaries	545,993	*365,730*
Social security costs	36,353	*28,920*
Other pension costs	27,526	*24,802*
	£ 609,872	*£ 419,452*

The average monthly number of employees, including directors, during the year was as follows:

	1998	*1997*
Farming	14	*11*
Office and management	9	*7*
	23	*18*

4. DIRECTORS' REMUNERATION

	1998 £	*1997 £*
Aggregate emoluments	55,308	*57,188*
Company pension contributions to money purchase schemes	5,447	*4,929*
	£ 60,755	*£ 62,117*

5. INTEREST RECEIVABLE

	1998 £	*1997 £*
Other interest receivable	£ 47,563	*£ 36,199*

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 31 December 1998

6. INTEREST PAYABLE

	1998	1997
	£	*£*
VAT interest	-	*208*
	£ -	*£ 208*

7. TAXATION

	1998	1997
	£	*£*
Current year taxation		
Transfer to deferred taxation	(28,120)	*54,226*
Tax on franked investment income	-	*91*
	£ (28,120)	*£ 54,317*

8. INTANGIBLE ASSETS

	Milk Quota	Total
	£	£
Cost		
At 1 January 1998	320,514	320,514
Disposals	(320,514)	(320,514)
At 31 December 1998	-	-
Net Book Value		
At 31 December 1998	£ -	£ -
At 31 December 1997	*£ 320,514*	*£ 320,514*

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 31 December 1998

9. TANGIBLE ASSETS

	Buildings and Improvements £	Plant and Machinery £	Motor Vehicles £	Total £
Cost				
At 1 January 1998	44,713	1,086,105	116,555	1,247,373
Additions	-	166,885	16,698	183,583
Disposals	-	(165,689)	(6,827)	(172,516)
At 31 December 1998	44,713	1,087,301	126,426	1,258,440
Depreciation				
At 1 January 1998	12,979	357,421	58,339	428,739
Charge for year	5,124	167,106	32,334	204,564
On disposals	-	(74,797)	(5,208)	(80,005)
At 31 December 1998	18,103	449,730	85,465	553,298
Net Book Value				
At 31 December 1998	£ 26,610	£ 637,571	£ 40,961	£ 705,142
At 31 December 1997	*£ 31,734*	*£ 728,684*	*£ 58,216*	*£ 818,634*

10. FIXED ASSET INVESTMENTS

	Shares in group undertakings £	Other investments £	Total £
Cost			
At 1 January 1998	3,520,277	5,176	3,525,453
Additions	953,319	-	953,319
At 31 December 1998	4,473,596	5,176	4,478,772
Net Book Value			
At 31 December 1998	£ 4,473,596	£ 5,176	£ 4,478,772
At 31 December 1997	*£ 3,520,277*	*£ 5,176*	*£ 3,525,453*

Shares in group undertakings consists of investment in two subsidiaries. The cost at 1 January 1998 of £3,520,277 is in Hallsworth (Farmland Trust) Limited, comprising a holding of 100% of its issued ordinary capital. The addition in the year of £953,319 is in Farmspeed (Southery Anchor) Limited, comprising a holding of 100% of its issued ordinary capital.

During its latest financial year Hallsworth (Farmland Trust) Limited made a loss of £65,152 (1997 - *£(10,328)*) and at the end of that year the aggregate of its capital and reserves was £2,853,265 (1997 - *£2,918,417*).

During its latest financial year Farmspeed (Southery Anchor) Limited made a profit after tax of £266,880 (1997 - *£(141,946)*) and at the end of that year the aggregate of its capital and reserves was £1,215,580 (1997 - *£948,700*).

The market value of listed investments, which are included above at cost of £5,176, as at 31 December 1998 was £12,425 (1997: *£10,044*).

The market value of unlisted investments, which are included above at cost of £NIL, as at 31 December 1998 was £1,594 (1997: *£1,594*).

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 31 December 1998

11. STOCKS

	1998 £	*1997 £*
Livestock	111,022	*130,505*
Crops in store	788,912	*824,651*
Cultivations	414,615	*331,710*
Consumables	197,560	*154,329*
	£ 1,512,109	*£ 1,441,195*

12. DEBTORS

	1998 £	*1997 £*
Due within one year		
Trade debtors	264,997	*165,894*
Amounts owed by group undertakings	154,789	*225,032*
Other debtors	43,378	*20,987*
Prepayments and accrued income	873	*4,692*
	£ 464,037	*£ 416,605*

13. CREDITORS:
Amounts falling due within one year

	1998 £	*1997 £*
Trade creditors	103,584	*1,430*
Amounts owed to group undertakings	1,193,732	*562,327*
Other creditors	63,186	*153,405*
Accruals and deferred income	304,615	*299,388*
	£ 1,665,117	*£ 1,016,550*

A composite guarantee dated 27 March 1998 is in place for indebtedness between AgReserves Limited and its two subsidiary companies, Hallsworth (Farmland Trust) Limited and Farmspeed (Southery Anchor) Limited.

14. PROVISIONS FOR LIABILITIES AND CHARGES

	1998 £	*1997 £*
Deferred Tax		
At 1 January 1998	71,597	*17,371*
(Credit)/charge for the year	(28,120)	*54,226*
At 31 December 1998	£ 43,477	*£ 71,597*

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 31 December 1998

15. CALLED UP SHARE CAPITAL

	1998 £	*1997 £*
Authorised		
2,000,000 ordinary shares of £1 each	£ 2,000,000	*£ 2,000,000*
Allotted, called up and fully paid		
1,000,000 ordinary shares of £1 each	£ **1,000,000**	*£ 1,000,000*

16. SHAREHOLDERS' FUNDS

Reconciliation of movements on shareholders' funds

	1998 £	*1997 £*
Loss for the year	(335,370)	*(39,227)*
Capital transferred from parent undertaking	-	*650,000*
	(335,370)	*610,773*
Opening shareholders' funds	6,315,534	*5,704,761*
Closing shareholders' funds	£ 5,980,164	*£ 6,315,534*

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 31 December 1998

17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	1998	*1997*
	£	*£*
Returns on investments and servicing of finance		
Interest received	47,563	*36,199*
Interest paid	-	*(208)*
Income received from investments	-	*455*
Net cash inflow for returns on investments and servicing of finance	£ 47,563	*£ 36,446*
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(183,583)	*(236,549)*
Sale of intangible fixed assets	143,845	-
Sale of tangible fixed assets	65,554	*73,939*
Net cash inflow/(outflow) for capital expenditure	£ 25,816	*£ (162,610)*
Acquisitions and disposals		
Purchase of Farmspeed (Southery Anchor) Limited	(953,319)	-
Net cash (outflow) for acquisitions and disposals	£ (953,319)	*£* -
Financing		
Capital element of hire purchase payments	-	*(32,667)*
(Decrease) in debt	-	*(32,667)*
Net cash (outflow) from financing	£ -	*£ (32,667)*

18. ANALYSIS OF NET FUNDS

	At 1 Jan 1998	Cash flow	At 31 Dec 1998
	£	£	£
Net cash:			
Cash at bank and in hand	£ 881,280	£ (352,583)	£ 528,698

19 PURCHASE OF SUBSIDIARY UNDERTAKING

Net assets acquired	£
Tangible fixed assets	450,000
Stocks	329,556
Debtors	114,742
Cash at bank and in hand	126,788
Creditors	(67,767)
	953,319
Satisfied by	
Cash	£ 953,319

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 31 December 1998

20. OTHER COMMITMENTS

At 31 December 1998 the company had annual renegotiable commitments under operating leases as follows:

	Land and buildings		Other	
	1998	*1997*	**1998**	*1997*
	£	*£*	**£**	*£*
Expiry date:				
Within 1 year	**273,000**	*264,800*	-	-

21. PENSION COMMITMENTS

The company is part of a group scheme operating a pension plan based on final pensionable earnings. The assets of the Plan are held in a separate trustee administered fund. Contributions charged to the revenue account are calculated so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by a qualified actuary using the projected unit method.

The latest actuarial valuation of the Plan was as at 31 December 1995. The assumptions having the most significant effect on the valuation results were that investment returns would be 9% and that pensionable earnings increases would average 7.5 % p.a. (pensionable earnings are currently increasing at 4.8% p.a.). The valuation showed that the market value of the Plan's assets was £6,581,000 and that the actuarial value of those assets represented 110% of the benefits that had accrued to members, after allowing for expected future increases in pensionable earnings.

The pension charged for the period was £27,526, which included allowance for the amortisation of experience surpluses. These are being recognised over 11 years, the average remaining service lives of employees.

22. PARENT COMPANY

The company's ultimate joint parent undertakings are the Corporation of the President of the Church of Jesus Christ of the Latter-Day Saints and the Corporation of the Presiding Bishopric, both corporations being incorporated in the State of Utah.